



City Councilmember

Carl DeMaio

News Release

DeMaio Proposes \$40 Million in Labor Cost Savings to Balance the Budget

Releases First of Three Proposals to Cut City Spending and Avoid Tax Increases

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SAN DIEGO –City Councilmember Carl DeMaio today released a four-point “Budget Priorities” memorandum that proposes more than \$40 million in annual savings to taxpayers. It is the first of three proposals DeMaio intends to release during this year’s budget process to balance the city’s budget and put the city back on a path of fiscal health.

“We are not even two weeks into the budget process and we have found the cost savings we need to avoid tax increases,” exclaimed DeMaio. “Here’s the catch: the reforms we propose will be resisted by the city’s powerful labor unions who wield considerable influence. Nevertheless the public needs should know that we can balance the budget without tax increases if we there is the political will to make the tough decisions at City Hall.”

DeMaio released the proposal at the City Council’s Budget Committee hearing—where he also raised concerns that the current year deficit will be higher than the \$44 million originally projected by Mayor Sanders. In this initial budget proposal, DeMaio focuses on cutting labor costs and accelerating repayment of redevelopment debt.

- **Salary Freezes and Furloughs:** DeMaio suggests no raises or step increases in the FY 2010 labor contracts. In addition, DeMaio proposes to save \$7.3 million by authorizing the Mayor to implement up to 96 hours of unpaid furloughs for individual employees during FY 2010 (excluding police and fire.)
- **Reform Employee Fringe Benefits:** DeMaio proposes to reduce excessive fringe benefits packages awarded to city employees. Specifically DeMaio calls for reform of the employee “offset” retirement contributions (\$40.1 million in FY 2009), reduction of the flat allowances for health care benefits (\$59 million in FY 2009), and elimination or reduction of the City’s SPSP contributions (\$24 million in FY 2009). Depending on which mix of fringe benefit reforms are ultimately enacted, DeMaio’s proposal would achieve **\$25-40 million** in savings in FY 2010 alone. To address long-term fiscal health, DeMaio also proposes additional reforms of pension and retiree health care packages.
- **Acceleration of Redevelopment Debt Repayment:** DeMaio proposes that the Center City Development Corporation begin its debt payment early, beginning in FY 2010. This repayment strategy will free up scarce infrastructure dollars for deferred maintenance. In addition, DeMaio will outline additional “public benefit” projects that CCDC can fund to reduce expenditures in the City’s General Fund.

DeMaio timed the release of this first proposal to coincide with the commencement of labor negotiations—and in advance of the City Council taking up the issue of CCDC debt repayment. For more information, visit www.CleanUpCityHall.com.

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